

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013

Board Members:

Tom Tomsha, President
Tony Binger
Will Chaplin
Randy Cole
Steve Masat

CEO:

Jeff Clark

Business Manager:

Mandy Miller

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board

Hitchcock-Tulare School District No 56-6

Spink County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota, as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 9, 2013, which was a disclaimer of opinion on governmental activities and unqualified on all other opinion units because there was no adequate supporting documentation regarding the cost of general capital assets, sale of capital assets, and depreciation expense.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2013-01, #2013-02, and #2013-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and

contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Current Audit Findings as items #2013-02 and #2013-04.

School District's Response to Findings

The Hitchcock-Tulare School District No 56-6's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierschbach & Anderson, L L P
December 9, 2013

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

PRIOR AUDIT FINDINGS:

Finding #2012-01

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2013-01.

Finding #2012-02

The listings of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense. This results in diminished control over capital assets and can result in misleading information being presented to users of the financial statements. This finding is restated as current audit finding #2013-02.

Finding #2012-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2013-03.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2013

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2013-01

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Effect

The School District has only one employee who prepares all accounting records. This is undesirable from an internal control viewpoint, and it could result in a loss of control over accounting transactions.

Recommendation

We recommend the School Board take a more active role in their oversight of inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations.

Management's Response

Will Chaplin is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Hitchcock-Tulare School District No 56-6 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Hitchcock-Tulare School District No 56-6 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations. Hitchcock-Tulare School District No 56-6 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding inventory, receivables, payables, indebtedness, equity, revenues, capital assets, and the preparation of trust and agency receipts, disbursements, and bank reconciliations continues to exist.

Finding #2013-02

Criteria

The School District accounting manual prepared by the State of South Dakota Department of Legislative Audit states "Schools have a substantial investment of tax dollars in the various lands, buildings, equipment and other assets owned by them. The responsibility of stewardship involved in safeguarding such a large investment is of the utmost importance to sound financial administration. The protective custody of these assets can only be accomplished through adequate accounting procedures and records. In addition to stewardship or protective

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2013
(Continued)

custody of a governmental unit's property, a good system of capital asset accounting permits the fixation of responsibility for custody and proper use of specific capital assets on individual public officials."

Condition Found

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense. This results in diminished control over capital assets and can result in misleading information being presented to users of the financial statements.

Effect

Capital asset records did not contain adequate documentation to support the costs of general capital assets, sale of capital assets or depreciation expense.

Recommendation

We recommend the School District document the costs with copies of invoices, or reasonable estimates, with supporting documentation as to how the estimates were arrived at.

Management's Response

Will Chaplin is the contact person responsible for the corrective action plan for this comment. In the future the business manager will make available copies of vouchers in order to provide sufficient documentation to support the amounts reported for general capital assets, sale of capital assets, and depreciation expense.

Finding #2013-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2013
(Continued)

Will Chaplin is the contact person responsible for the corrective action plan for this comment. The board will accept the degree of risk associated with the School District's ability to record, process, summarize, and report financial data due to the cost of hiring more bookkeepers for the District.

OTHER AUDIT FINDINGS:

Finding #2013-02

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this comment.

Finding #2013-04

Criteria

Per South Dakota Codified Law (SDCL) 13-11-2, the School Board is required to approve a budget for the anticipated obligations of each fund for the School's fiscal year, except for trust and agency funds and not exceed the budgeted appropriations total of each fund. Any changes in the proposed budget incorporated into the final budget shall be published in the minutes within thirty days after the final adoption of the budget.

Condition Found

The School District went over budget in the General Fund by \$92,669, the Capital Outlay Fund by \$18,590, and the Special Education Fund by \$12,123. Also, the School District did not mention in the minutes or publish in the official newspaper the changes from the proposed budget to the adopted budget, so the changes were not considered in determining if the School District went over budget, since they were not properly published. The School District would have still been over budget in these three funds even if the changes had been included.

Effect

Budgets are required for all funds. Per SDCL 13-11-2, expenditures are limited to the appropriated amounts.

Recommendation

We recommend that the School District limit expenditures to the amount budgeted, or adopt a supplemental budget or make contingency transfers for small deficits. We also recommend that all changes from the proposed budget to the adopted budget be published in detail in the official newspaper.

Management's Response

Will Chaplin is the contact person responsible for the corrective action plan for this comment. He stated, "The Hitchcock-Tulare board of education will ensure a supplemental budget is adopted and all changes are published in the legal newspaper, if needed."

Closing Conference

The contents of this report were discussed with Jeff Clark, Will Chaplin, and Mandy Miller on November 7, 2013.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP

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INDEPENDENT AUDITORS' REPORT

School Board

Hitchcock-Tulare School District No 56-6

Spink County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota, as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

As discussed in Note 7 to the financial statements, management does not have adequate supporting documentation for certain general capital assets in governmental activities and, accordingly, does not have adequate supporting documentation for the sale of capital assets and depreciation expense on those assets. Accounting principles

generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, revenues, and expenses of the governmental activities is not reasonably determinable.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the governmental activities opinion unit.

Opinion

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

December 9, 2013

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

STATEMENT OF NET POSITION

JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,665,049	\$ -	\$ 1,665,049
Investments	153,426	-	153,426
Taxes receivable	752,158	-	752,158
Internal balances	879	(879)	-
Inventories	-	1,299	1,299
Other assets	262,371	18,856	281,227
Capital Assets:			
Land, improvements and construction in progress	5,268	-	5,268
Other capital assets, net of depreciation	3,221,833	14,171	3,236,004
TOTAL ASSETS	<u>\$ 6,060,984</u>	<u>\$ 33,447</u>	<u>\$ 6,094,431</u>
LIABILITIES:			
Accounts payable	\$ 28,785	\$ 5,642	\$ 34,427
Other current liabilities	114,024	5,200	119,224
Deferred revenue	713,492	-	713,492
Noncurrent Liabilities:			
Due within one year	35,153	-	35,153
Due in more than one year	58,325	-	58,325
TOTAL LIABILITIES	<u>949,779</u>	<u>10,842</u>	<u>960,621</u>
NET POSITION:			
Net investment in capital assets	3,185,435	14,171	3,199,606
Restricted for:			
Capital outlay purposes	441,019	-	441,019
Special education purposes	146,239	-	146,239
Pension purposes	229,792	-	229,792
Unrestricted	1,108,720	8,434	1,117,154
TOTAL NET POSITION	<u>5,111,205</u>	<u>22,605</u>	<u>5,133,810</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,060,984</u>	<u>\$ 33,447</u>	<u>\$ 6,094,431</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$1,259,192	\$ -	\$ 169,545	\$ 7,973	\$ (1,081,674)	\$ -	\$(1,081,674)
Support services	720,865	-	11,000	-	(709,865)	-	(709,865)
Nonprogrammed charges	21,842	-	-	-	(21,842)	-	(21,842)
*Interest on long-term debt	2,638	-	-	-	(2,638)	-	(2,638)
Cocurricular activities	89,230	20,282	-	-	(68,948)	-	(68,948)
**Depreciation-unallocated	54,643	-	-	-	(54,643)	-	(54,643)
Total Governmental Activities	2,148,410	20,282	180,545	7,973	(1,939,610)	-	(1,939,610)
Business-Type Activities:							
Food service	135,555	47,485	79,632	-	-	(8,438)	(8,438)
Total Primary Government	\$2,283,965	\$ 67,767	\$ 260,177	\$ 7,973	(1,939,610)	(8,438)	(1,948,048)
* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.		General Revenues:					
		Taxes:					
		Property taxes					
		1,412,346					
		Utility taxes					
		157,140					
		Revenue from State Sources:					
		State aid					
		399,616					
		Other					
		29,683					
** This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 7.		Unrestricted Investment Earnings					
		2,863					
		Other General Revenues					
		53,842					
		Total General Revenues					
		2,055,490					
		CHANGE IN NET POSITION					
		115,880					
		(8,438)					
		107,442					
		NET POSITION - BEGINNING					
		4,995,325					
		31,043					
		5,026,368					
		NET POSITION - ENDING					
		\$ 5,111,205					
		\$ 22,605					
		\$ 5,133,810					

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 952,392	\$283,451	\$158,189	\$271,017	\$ 1,665,049
Investments	54,873	98,553	-	-	153,426
Taxes receivable - current	603,493	45,319	82,979	17,881	749,672
Taxes receivable - delinquent	1,813	470	160	43	2,486
Accounts receivable, net	-	63,969	-	-	63,969
Due from Food Service Fund	879	-	-	-	879
Due from other governments	173,710	7,635	-	-	181,345
Prepaid expenses	17,057	-	-	-	17,057
TOTAL ASSETS	<u>\$1,804,217</u>	<u>\$499,397</u>	<u>\$241,328</u>	<u>\$288,941</u>	<u>\$ 2,833,883</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 15,726	\$ 13,059	\$ -	\$ -	\$ 28,785
Contracts payable	89,871	-	10,695	-	100,566
Payroll deductions and withholdings and employer matching payable	12,043	-	1,415	-	13,458
Deferred revenue	569,126	45,789	83,139	17,924	715,978
TOTAL LIABILITIES	<u>686,766</u>	<u>58,848</u>	<u>95,249</u>	<u>17,924</u>	<u>858,787</u>
FUND BALANCES:					
Nonspendable	17,057	-	-	-	17,057
Restricted	-	440,549	146,079	271,017	857,645
Assigned	63,528	-	-	-	63,528
Unassigned	1,036,866	-	-	-	1,036,866
TOTAL FUND BALANCES	<u>1,117,451</u>	<u>440,549</u>	<u>146,079</u>	<u>271,017</u>	<u>1,975,096</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,804,217</u>	<u>\$499,397</u>	<u>\$241,328</u>	<u>\$288,941</u>	<u>\$ 2,833,883</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds \$ 1,975,096

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the funds. 3,227,101

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds.

Early Retirement	\$ 41,268	
Accrued Leave	\$ 10,544	
Other Long-Term Debt	<u>\$ 41,666</u>	(93,478)

Assets, such as taxes receivable that are not available to pay for current period
expenditures, are deferred in the funds.

Taxes Receivable	<u>\$ 2,486</u>	<u>2,486</u>
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Net Position - Governmental Activities \$ 5,111,205

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$1,119,265	\$ 88,982	\$162,888	\$ 35,029	\$ 1,406,164
Prior years' ad valorem taxes	1,726	142	238	59	2,165
Utility taxes	157,140	-	-	-	157,140
Penalties and interest on taxes	3,555	228	367	92	4,242
Earnings on investments and deposits	2,307	556	-	-	2,863
Cocurricular activities:					
Admissions	20,282	-	-	-	20,282
Other revenue from local sources:					
Other	7,379	-	-	-	7,379
Revenue from Intermediate Sources:					
County sources:					
County apportionment	9,926	-	-	-	9,926
Revenue in lieu of taxes	1,506	-	-	-	1,506
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	429,299	-	-	-	429,299
Restricted grants-in-aid	11,000	7,973	-	-	18,973
Revenue from Federal Sources:					
Grants-in-aid:					
Restricted grants-in-aid received from federal government through the state	161,910	7,635	-	-	169,545
TOTAL REVENUE	<u>1,925,295</u>	<u>105,516</u>	<u>163,493</u>	<u>35,180</u>	<u>2,229,484</u>
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	539,302	23,148	-	-	562,450
High school	396,284	24,116	-	-	420,400
Special programs:					
Programs for special education	-	-	183,056	-	183,056
Educationally deprived	94,390	-	-	-	94,390
Support Services:					
Pupils:					
Guidance	3,296	-	-	180	3,476

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Health	760	-	-	-	760
Psychological	-	-	3,372	-	3,372
Speech pathology	-	-	7,306	-	7,306
Student therapy services	-	-	22,239	-	22,239
Instructional staff:					
Improvement of instruction	21,701	-	-	-	21,701
Educational media	25,457	-	-	-	25,457
General administration:					
Board of education	20,063	-	-	-	20,063
Executive administration	82,679	-	-	3,324	86,003
School administration:					
Office of the principal	76,773	-	-	2,940	79,713
Business:					
Fiscal services	82,682	-	-	2,070	84,752
Facilities acquisition and construction	-	18,658	-	-	18,658
Operation and maintenance of plant	300,403	3,229	-	-	303,632
Pupil transportation	107,702	-	-	-	107,702
Nonprogrammed Charges:					
Early retirement payments	-	-	-	13,036	13,036
Debt Services	-	15,260	-	-	15,260
Cocurricular Activities:					
Male activities	24,401	-	-	-	24,401
Female activities	16,206	-	-	-	16,206
Transportation	15,429	-	-	-	15,429
Combined activities	29,071	4,123	-	-	33,194
Capital Outlay	-	77,756	-	-	77,756
TOTAL EXPENDITURES	<u>1,836,599</u>	<u>166,290</u>	<u>215,973</u>	<u>21,550</u>	<u>2,240,412</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>88,696</u>	<u>(60,774)</u>	<u>(52,480)</u>	<u>13,630</u>	<u>(10,928)</u>
OTHER FINANCING SOURCES:					
Sale of surplus property	-	35,031	-	-	35,031
Compensation for loss of general capital assets	-	63,969	-	-	63,969

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>99,000</u>	<u>-</u>	<u>-</u>	<u>99,000</u>
NET CHANGE IN FUND BALANCES	88,696	38,226	(52,480)	13,630	88,072
FUND BALANCE - BEGINNING	<u>1,028,755</u>	<u>402,323</u>	<u>198,559</u>	<u>257,387</u>	<u>1,887,024</u>
FUND BALANCE - ENDING	<u>\$1,117,451</u>	<u>\$440,549</u>	<u>\$146,079</u>	<u>\$271,017</u>	<u>\$ 1,975,096</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 88,072

Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide statements. 77,756

This amount represents the current year depreciation expense reported in the statement of
activities which is not reported on the fund financial statements because it does not require
the use of current financial resources. (54,643)

Payment of principal on long-term debt is an expenditure in the governmental funds but
the payment reduces long-term liabilities in the statement of net position.

Early Retirement	\$ 13,036	
Other Long-Term Debt	<u>\$ 12,622</u>	25,658

Governmental funds recognize expenditures for amounts of compensated absences and early
retirement benefits actually paid to employees with current financial resources during the
fiscal year. Amounts of compensated absences earned by employees are not recognized
in the funds. In the statement of activities, expenses for these benefits are recognized when
the employees earn leave credits or elect to retire early.

Sick Leave	\$ 1,104	
Early Retirement	<u>\$ (21,842)</u>	(20,738)

In both the government-wide and fund financial statements, revenues from property tax
levies are applied to finance the budget of a particular period. Accounting for revenues
from property tax accruals in the funds' statements differs from the accounting in the
government-wide statements in that the fund financial statements require the amounts to
be "available". This amount reflects the application of both the application period and
"availability criteria". (225)

Change in Net Position of Governmental Activities \$ 115,880

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds Food Service Fund
ASSETS:	
Current Assets:	
Accounts receivable, net	\$ 10,458
Due from federal government	8,398
Inventory of supplies	123
Inventory of stores purchased for resale	303
Inventory of donated food	873
	<u>20,155</u>
Total Current Assets	<u>20,155</u>
Capital Assets:	
Machinery and equipment - local funds	41,416
Less: accumulated depreciation	<u>(27,245)</u>
Total Noncurrent Assets	<u>14,171</u>
TOTAL ASSETS	<u>\$ 34,326</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 5,642
Contracts payable	4,582
Due to General Fund	879
Payroll deductions and withholdings and employer matching payable	<u>618</u>
Total Current Liabilities	<u>11,721</u>
NET POSITION:	
Net investment in capital assets	14,171
Unrestricted net position	<u>8,434</u>
TOTAL NET POSITION	<u>22,605</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 34,326</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Enterprise Funds</u> Food Service Fund
OPERATING REVENUE:	
Food Sales:	
Student	\$ 37,150
Adult	6,137
Ala Carte	4,123
Other Charges for Goods and Services	<u>75</u>
TOTAL OPERATING REVENUE	<u>47,485</u>
OPERATING EXPENSES:	
Salaries	35,401
Employee benefits	12,515
Purchased services	23,251
Supplies	3,342
Cost of sales - purchased	50,516
Cost of sales - donated	8,733
Depreciation	<u>1,797</u>
TOTAL OPERATING EXPENSES	<u>135,555</u>
OPERATING LOSS	<u>(88,070)</u>
NONOPERATING REVENUE:	
State grants	992
Federal grants	69,920
Donated food	<u>8,720</u>
TOTAL NONOPERATING REVENUE	<u>79,632</u>
CHANGE IN NET POSITION	(8,438)
NET POSITION - BEGINNING	<u>31,043</u>
NET POSITION - ENDING	<u><u>\$ 22,605</u></u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Enterprise Funds</u> Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$ 48,664
Cash payments to employees for services	(47,537)
Cash payments to suppliers of goods or services	<u>(78,478)</u>
Net cash used by operating activities	<u>(77,351)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from General Fund	879
Operating grants	<u>69,909</u>
Net cash provided by noncapital financing activities	<u>70,788</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,563)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,563</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ -</u></u>
 <u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>	
OPERATING LOSS	\$ (88,070)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation expense	1,797
Value of donated commodities used	8,733
Change in assets and liabilities:	
Accounts receivable	1,179
Inventories	74
Accounts and other payables	<u>(1,064)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (77,351)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Value of commodities received	<u><u>\$ 8,720</u></u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds
ASSETS:	
Cash and cash equivalents	\$ 35,162
Other assets	<u>247</u>
TOTAL ASSETS	<u>\$ 35,409</u>
LIABILITIES:	
Amounts held for others	<u>\$ 35,409</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,409</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Hitchcock-Tulare School District No 56-6 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

To hold money for classes and organizations of the School.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2013, are reimbursement for federal program expenditures.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2013 balance of capital assets for governmental activities for which the costs were determined by estimates of the original costs is unknown. The total June 30, 2013 balance of capital assets for business-type activities includes approximately 45 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by estimates received from the entity from which the assets were purchased.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Improvements	\$25,000	Straight-line	Unknown
Buildings	\$50,000	Straight-line	Unknown
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	Unknown
Machinery and Equipment - Business- Type Activities	\$ 1,000	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, and a capital lease.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - (Continued)

j. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - (Continued)

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as prepaid expenses.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Federal Funding, Property Taxes
Pension Fund	Property Taxes

A schedule of fund balances is provided as follows:

Hitchcock-Tulare School District No 56-6 Disclosure of Fund Balances Reported on Balance Sheet Governmental Funds June 30, 2013

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Prepaid expenses	\$ 17,057	\$ --	\$ --	\$ --	\$ 17,057
Restricted for:					
Capital Outlay Fund	--	440,549	--	--	440,549
Special Education Fund	--	--	146,079	--	146,079
Pension Fund	--	--	--	271,017	271,017
Assigned to:					
Subsequent year's budget	63,528	--	--	--	63,528
Unassigned	<u>1,036,866</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,036,866</u>
Total Fund Balances	<u>\$1,117,451</u>	<u>\$440,549</u>	<u>\$146,079</u>	<u>\$271,017</u>	<u>\$1,975,096</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended <u>06/30/2013</u>
General Fund	\$92,669
Capital Outlay Fund	\$18,590
Special Education Fund	\$12,123

The Governing Board plans to take the following actions to address these violations: The board will adopt a supplemental budget to address excess spending if needed in the future.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds, except for Agency Funds, to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's deposits in financial institutions were exposed to custodial credit risk as follows:

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 - (Continued)

<u>Depository Name</u>	<u>% Under-collateralized</u>	<u>At-Risk Amount</u>
Heartland State Bank	1.53%	<u>\$91,338</u>

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for interest earned on Capital Outlay certificates of deposit, which remains in the Capital Outlay Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. There was no inventory reported in the current year in the governmental fund financial statements.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

Primary Government

	Balance 07/01/12	Increases	Decreases	Balance 06/30/13
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,268	\$ --	\$--	\$ 5,268
Capital assets, being depreciated:				
Improvements	260,735	--	--	260,735
Buildings	2,020,354	62,869	--	2,083,223
Machinery and equipment	1,148,601	14,887	--	1,163,488
Total, being depreciated	3,429,690	77,756	--	3,507,446
Less accumulated depreciation for:				
Improvements	--	--	--	--
Buildings	76,671	17,454	--	94,125
Machinery and equipment	154,299	37,189	--	191,488
Total accumulated depreciation	230,970	54,643	--	285,613
Total capital assets, being depreciated, net	3,198,720	23,113	--	3,221,833
Governmental activity capital assets, net	\$3,203,988	\$23,113	\$--	\$3,227,101

Depreciation expense was charged to functions as follows:

Governmental activities:

Depreciation - unallocated	\$54,643
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HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - (Continued)

	<u>Balance</u> <u>07/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/13</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$41,416	\$ --	\$--	\$41,416
Less accumulated depreciation for:				
Machinery and equipment	<u>25,448</u>	<u>1,797</u>	--	<u>27,245</u>
Business-type activity capital assets, net	<u>\$15,968</u>	<u>\$(1,797)</u>	<u>\$--</u>	<u>\$14,171</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$1,797</u>

Capital asset records do not contain adequate documentation to support the costs of general capital assets or depreciation expense. The School District will attempt to establish proper capital asset records in the future by verifying actual costs, or estimating costs.

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2013, is as follows:

PRIMARY GOVERNMENT

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Financing (Capital					
Acquisition) Lease	\$54,288	\$ --	\$12,622	\$41,666	\$13,235
Early Retirement Payable	32,462	21,842	13,036	41,268	20,317
Accrued Compensated					
Absences	<u>11,648</u>	--	<u>1,104</u>	<u>10,544</u>	<u>1,601</u>
Total Governmental Activities	<u>\$98,398</u>	<u>\$21,842</u>	<u>\$26,762</u>	<u>\$93,478</u>	<u>\$35,153</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Liabilities payable at June 30, 2013, are comprised of the following:

PRIMARY GOVERNMENT

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - (Continued)

Governmental Activities:

Compensated Absences:

Payable from the General Fund. \$10,544

Early Retirement Benefits Payable:

Requires annual payments of not more than \$20,317 from the Pension Fund, final payment in fiscal year 2016. \$41,268

Financing (Capital Acquisition) Lease:

The School District is leasing a bus for \$15,260 per year for 5 years with a final payment August 2015 with a down payment of \$15,260 and an option to purchase for \$1 at the end of the lease with an interest rate of 4.860%. Payments are being made out of the Capital Outlay Fund. \$41,666

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2013, are as follows:

Annual Requirements to Maturity for Long-Term Debt June 30, 2013

Year Ending <u>June 30,</u>	Early Retirement Benefits Payable <u>Principal</u>	Financing (Capital Acquisition) Lease		Total	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$20,317	\$13,235	\$2,025	\$33,552	\$2,025
2015	13,670	13,878	1,382	27,548	1,382
2016	<u>7,281</u>	<u>14,553</u>	<u>707</u>	<u>21,834</u>	<u>707</u>
	<u>\$41,268</u>	<u>\$41,666</u>	<u>\$4,114</u>	<u>\$82,934</u>	<u>\$4,114</u>

NOTE 9 - OPERATING LEASES

The School District has an operating lease as of June 30, 2013, for copiers. The payments for the copier lease are being made out of the Capital Outlay Fund for 5 years with a total paid of \$7,200 for the year.

The following are the minimum payments required for the existing operating lease:

<u>Year</u>	<u>Capital Outlay Fund</u>
2014	\$ 7,200
2015	7,200
2016	<u>2,400</u>
Total	<u>\$16,800</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2013, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$879	\$ --
Food Service Fund	\$ --	\$879

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2013, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$441,019
Special Education Purposes	Law	146,239
Pension Purposes	Law	<u>229,792</u>
Total Restricted Net Position		<u>\$817,050</u>

These balances are restricted due to federal grant and statutory requirements.

NOTE 12 - RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2013, 2012 and 2011, were \$72,249, \$67,250, and \$67,058, respectively, equal to the required contributions each year.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 13 - JOINT VENTURES

The School District participates in the joint venture known as the North Central Special Ed Coop formed for the purpose of providing special education services and other educational services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Doland	14.29%
Conde	14.29%
Northwestern	14.29%
Groton	14.29%
Warner	14.29%
Hitchcock-Tulare	14.29%
Frederick	14.29%

The North Central Special Ed Coop's governing board is composed of one representative from each member school district. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from North Central Special Ed Coop.

At June 30, 2013, this joint venture had total assets of \$484,342, total liabilities of \$0, and net position of \$484,342.

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2013, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage has no lifetime maximum payment per person.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 - (Continued)

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2013, no claims for unemployment benefits were paid. At June 30, 2013, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - LITIGATION

At June 30, 2013, the School District was not involved in any litigation.

NOTE 16 - SUBSEQUENT EVENTS

There are no subsequent events through December 9, 2013, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 901,100	\$ 901,100	\$1,119,265	\$ 218,165
Prior years' ad valorem taxes	3,600	3,600	1,726	(1,874)
Utility taxes	56,000	56,000	157,140	101,140
Penalties and interest on taxes	3,000	3,000	3,555	555
Earnings on investments and deposits	5,000	5,000	2,307	(2,693)
Cocurricular activities:				
Admissions	20,000	20,000	20,282	282
Other revenue from local sources:				
Other	6,000	6,000	7,379	1,379
Revenue from Intermediate Sources:				
County sources:				
County apportionment	12,000	12,000	9,926	(2,074)
Revenue in lieu of taxes	-	-	1,506	1,506
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	525,700	525,700	429,299	(96,401)
Restricted grants-in-aid	-	-	11,000	11,000
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	137,734	137,734	161,910	24,176
TOTAL REVENUE	1,670,134	1,670,134	1,925,295	255,161
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	479,900	479,900	539,302	(59,402)
Middle/Junior high	41,125	41,125	-	41,125
High school	338,185	338,185	396,284	(58,099)
Special programs:				
Educationally deprived	97,510	97,510	94,390	3,120
Support Services:				
Pupils:				
Guidance	3,560	3,560	3,296	264
Health	1,000	1,000	760	240
Instructional staff:				
Improvement of instruction	-	-	21,701	(21,701)
Educational media	18,705	18,705	25,457	(6,752)
General administration:				

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Board of education	28,740	28,740	20,063	8,677
Executive administration	88,700	88,700	82,679	6,021
School administration:				
Office of the principal	76,080	76,080	76,773	(693)
Business:				
Fiscal services	71,800	71,800	82,682	(10,882)
Operation and maintenance of plant	283,100	283,100	300,403	(17,303)
Pupil transportation	98,800	98,800	107,702	(8,902)
Cocurricular Activities:				
Male activities	22,105	22,105	24,401	(2,296)
Female activities	16,100	16,100	16,206	(106)
Transportation	12,570	12,570	15,429	(2,859)
Combined activities	30,950	30,950	29,071	1,879
Contingencies	35,000	35,000		
Amount transferred		-		35,000
TOTAL EXPENDITURES	<u>1,743,930</u>	<u>1,743,930</u>	<u>1,836,599</u>	<u>(92,669)</u>
NET CHANGE IN FUND BALANCES	(73,796)	(73,796)	88,696	162,492
FUND BALANCE - BEGINNING	<u>1,028,755</u>	<u>1,028,755</u>	<u>1,028,755</u>	-
FUND BALANCE - ENDING	<u>\$ 954,959</u>	<u>\$ 954,959</u>	<u>\$1,117,451</u>	<u>\$ 162,492</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 90,200	\$ 90,200	\$ 88,982	\$ (1,218)
Prior years' ad valorem taxes	-	-	142	142
Penalties and interest on taxes	-	-	228	228
Earnings on investments and deposits	1,500	1,500	556	(944)
Other revenue from local sources:				
Contributions and donations	20,000	20,000	-	(20,000)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	-	-	7,973	7,973
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	-	-	7,635	7,635
TOTAL REVENUE	111,700	111,700	105,516	(6,184)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	7,000	12,040	23,148	(11,108)
High school	7,000	16,630	29,133	(12,503)
Support Services:				
Business:				
Facilities acquisition and construction	60,200	81,530	81,527	3
Operation and maintenance of plant	15,000	15,000	13,099	1,901
Debt Services	22,500	22,500	15,260	7,240
Cocurricular Activities:				
Combined activities	-	-	4,123	(4,123)
TOTAL EXPENDITURES	111,700	147,700	166,290	(18,590)
EXCESS OF REVENUE UNDER EXPENDITURES	-	(36,000)	(60,774)	(24,774)
OTHER FINANCING SOURCES:				
Sale of surplus property	-	-	35,031	35,031
Compensation for loss of general capital assets	-	-	63,969	63,969

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
TOTAL OTHER FINANCING SOURCES	-	-	99,000	99,000
NET CHANGE IN FUND BALANCES	-	(36,000)	38,226	74,226
FUND BALANCE - BEGINNING	402,323	402,323	402,323	-
FUND BALANCE - ENDING	<u>\$ 402,323</u>	<u>\$ 366,323</u>	<u>\$ 440,549</u>	<u>\$ 74,226</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS-SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 165,100	\$ 165,100	\$ 162,888	\$ (2,212)
Prior years' ad valorem taxes	200	200	238	38
Penalties and interest on taxes	400	400	367	(33)
TOTAL REVENUE	<u>165,700</u>	<u>165,700</u>	<u>163,493</u>	<u>(2,207)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	174,850	174,850	183,056	(8,206)
Support Services:				
Pupils:				
Guidance	3,000	3,000	-	3,000
Psychological	3,000	3,000	3,372	(372)
Speech pathology	6,000	6,000	7,306	(1,306)
Student therapy services	17,000	17,000	22,239	(5,239)
TOTAL EXPENDITURES	<u>203,850</u>	<u>203,850</u>	<u>215,973</u>	<u>(12,123)</u>
NET CHANGE IN FUND BALANCES	(38,150)	(38,150)	(52,480)	(14,330)
FUND BALANCE - BEGINNING	<u>198,559</u>	<u>198,559</u>	<u>198,559</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 160,409</u>	<u>\$ 160,409</u>	<u>\$ 146,079</u>	<u>\$ (14,330)</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - PENSION FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 35,500	\$ 35,500	\$ 35,029	\$ (471)
Prior years' ad valorem taxes	-	-	59	59
Penalties and interest on taxes	-	-	92	92
TOTAL REVENUE	<u>35,500</u>	<u>35,500</u>	<u>35,180</u>	<u>(320)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	21,000	21,000	-	21,000
Middle/Junior high	2,300	2,300	-	2,300
High school	14,100	14,100	-	14,100
Support Services:				
Pupils:				
Guidance	-	-	180	(180)
General administration:				
Executive administration	-	-	3,324	(3,324)
School administration:				
Office of the principal	-	-	2,940	(2,940)
Business:				
Fiscal services	-	-	2,070	(2,070)
Nonprogrammed Charges:				
Early retirement payments	<u>13,040</u>	<u>13,040</u>	<u>13,036</u>	<u>4</u>
TOTAL EXPENDITURES	<u>50,440</u>	<u>50,440</u>	<u>21,550</u>	<u>28,890</u>
NET CHANGE IN FUND BALANCES	(14,940)	(14,940)	13,630	28,570
FUND BALANCE - BEGINNING	<u>257,387</u>	<u>257,387</u>	<u>257,387</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 242,447</u>	<u>\$ 242,447</u>	<u>\$ 271,017</u>	<u>\$ 28,570</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2013

NOTE 1 - Budgets and Budgetary Accounting

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.